

MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204
February 9, 2007

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Kathy Ettensohn
Matt Murphy
Bob Welch
Tony Armstrong-OMB Designee

Board Members Absent

Regina Overton
Chuck Schalliol, Vice Chair

Others Present

Iliana Nikolova, Mercer Investment Consulting
Doug Kryscio, Mercer Investment Consulting
Curt Smith, Strategic Investment Solutions
Faraz Shooshani, Strategic Investment Solutions
Matt Herrmann, Nationwide
John Piper, Nationwide

PERF Staff Present

David Adams, Executive Director
Terry Magid, Chief Operating Officer & Deputy Director
Andrea Unzicker, General Counsel
Shawn Wischmeier, Chief Investment Officer
Jeff Hutson, Director of Communications
Michael Henning, Director of Human Resources
Patricia Bush, Director of Finance
Erin Hankins, Executive Assistant
Jeri Mains, Legal Assistant

Meeting called to order at 12:10 by Chairman Cochran.

I. Approval of Minutes

MOTION duly made and carried to approve the minutes from the December 8, 2006 Board meeting.

Proposed by: Matt Murphy
Seconded by: Kathy Ettensohn
Votes: 5 in favor, 0 opposed, 0 abstentions

II. Old Business

- Compensation Plan

Mike Henning discussed with the Board the Compensation Plan and discussed creating job descriptions along with minimum qualifications for each executive position. Mr. Henning prepared specifications for the Board to review for 6 positions which include: Executive Director, Chief Investment Officer, Chief Operating Officer, Chief Technology Officer, General Counsel and Chief Financial Officer.

- Statement of Board Governance

Andrea Unzicker discussed the Board Governance Statement. Board Governance and the regulations of the Board are contained currently in the Investment Policy Statement. However, it is legal's observation that the regulation of the Board is not just related to Investments but related to the organization overall. Legal recommended to extract from the Investment Policy Statement those items that relate to Board Governance and establish them in a separate policy.

It is recommended that the Board approve this Statement of Board Governance as is reads behind Tab 2.

MOTION duly made and carried to adopt the Statement of Board Governance, Tab 2.

Proposed by: Kathy Ettensohn
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

- Restatement of Investment Policy

Ms. Unzicker discussed that the majority of the Investment Policy changes were necessitated by the removal of the Board Governance items. The recommended changes are highlighted under Tab 3.

It is recommended that the Board approve to adopt the restated Investment Policy, Tab 3.

MOTION duly made and carried to approve the Investment Policy Statement, Tab 3.

Proposed by:
Seconded by:
Votes:

Kathy Ettensohn
Tony Armstrong
5 in favor, 0 opposed, 0 abstentions

III. New Business

- **Legislative Update**

Ms. Unzicker discussed the bills that are proposed during the legislative session as well as the process for tracking the bills that have a potential impact on PERF. The legal department looks at the impact the bills have on PERF. There are 8 bills that will have an impact on PERF that were discussed.

- **Investments**

Investments Update

David Adams reviewed the new investment reports with the Board. The investment reports are intended to provide a comprehensive view of the investments and investment decisions made by the Board.

These reports illustrate the overall portfolio as compared year over year as well as recent performance. The reports further illustrate the investments in alternatives as well as a detailed breakdown of the various asset classes.

Mr. Adams then discussed that the fund had created the Indiana Investment Fund I for private equity and wanted to discuss with the Board establishing a program similar for the publicly traded markets. The new program would be an emerging manager program and would be open to Indiana, minority-owned and women-owned investment firms. Shawn Wischmeier discussed with the Board the details of the program. Matt Murphy commented that this is a good program for the fund and for smaller investment firms.

Private Equity Recommendations

Mr. Wischmeier introduced Curt Smith with Strategic Investment Solutions (SIS) who discussed five private equity opportunities. Three of these are new partnerships.

The first investment proposal is Silver Lake Partners III, L.P. (SLP III). Silver Lake is the industry leader in the acquisition of mature businesses

where technology is at the core of the business. SLP III focuses on companies that are market leaders with operational scale that require modest operational and structural improvement. SLP III also focuses on specific market niches in which they have an expertise, such as financial services or media.

It is recommended that the Board approve up to a \$50 million commitment to Silver Lake Partners III, L.P. pending final due diligence and document review by legal counsel. Additionally, it is recommended that the Board give approval for two potential one year term extensions to the term of this fund.

MOTION duly made and carried to approve up to a \$50 million commitment to Silver Lake Partners III, L.P. pending final due diligence and document review by legal counsel and for two potential one year term extensions to the term of this fund.

<i>Proposed by:</i>	<i>Tony Armstrong</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The second investment proposal is to Horsley Bridge Growth VIII, LP (HBG VII). HBG VII is a fund of funds organization that has access to top tier venture capital firms.

It is recommended that the Board approve up to an \$8.5 million commitment to Horsley Bridge Growth VIII, L.P. pending final due diligence and document review by legal counsel. Additionally, it is recommended that the Board approve a term of 12 years with up to three one year extensions.

MOTION duly made and carried to approve a commitment of up to an \$8.5 million commitment to Horsley Bridge Growth VIII, L.P. pending final due diligence and document review by legal counsel and a term of 12 years with up to three one year extensions.

<i>Proposed by:</i>	<i>Kathy Ettensohn</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The third investment proposal is to Technology Partners Fund VIII, L.P. (TP VIII). Technology Partners' was founded more than 20 years ago and has invested seven funds over several market cycles. The firm's strategy is to equally invest in the portfolio in the areas of Cleantech and Life Sciences with the first clean tech investment being made more than 15 years ago and the first life science investment more than 20 years ago.

It is recommended that the Board approve up to a \$20 million commitment to Technology Partners Fund VIII, L.P. pending final due diligence and

document review by legal counsel. Additionally, it is recommended that the Board give approval for two potential one year term extensions to the term of this fund.

MOTION duly made and carried to approve up to a \$20 million commitment to Technology Partners Fund VIII, L.P. pending final due diligence and document review by legal counsel and for two potential one year term extensions to the term of this fund.

<i>Proposed by:</i>	<i>Kathy Ettensohn</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The fourth investment proposal is Warburg Pincus X. Warburg Pincus invests in all stages of the business cycle combined with an industry and geographic expertise that builds diversified funds with attractive risk/return characteristics. Both domestically and internationally, Warburg Pincus has focused on specific core sectors that include communications hardware and services, financial services and real estate, media and consumer goods, natural resources and industrial -- with the ultimate aim to build companies with sustainable value.

It is recommended that the Board approve up to a \$75 million commitment to Warburg Pincus X, L.P. pending final due diligence and document review by legal counsel. Additionally, it is recommended that the Board give approval for a twelve year investment period with two potential one year extensions to the term of the fund.

MOTION duly made and carried to approve up to a \$75 million commitment to Warburg Pincus X, L.P. pending final due diligence and document review by legal counsel and for a twelve year investment period with two potential one year extensions to the term of the fund.

<i>Proposed by:</i>	<i>Matt Murphy</i>
<i>Seconded by:</i>	<i>Tony Armstrong</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The fifth investment proposal is OCM Opportunities Fund VII, LP (OCM). PERF had previously made a \$30M commitment to OCM Opportunities Fund VI in 2005. To date, Fund VI has a net IRR of more than 17%. OCM will utilize the same approach and structure as the prior opportunities funds.

It is recommended that the Board approve up to a \$30 million commitment to OCM Opportunities Fund VII, LP pending final due diligence and document review by legal counsel. Additionally, it is recommended that the Board give approval for five potential one year term extensions to the term of this fund.

MOTION duly made and carried to approve up to a \$30 million commitment to OCM Opportunities Fund VII, LP pending final due diligence and document review by legal counsel and for five potential one year term extensions to the term of this fund.

Proposed by: Matt Murphy
Seconded by: Kathy Ettensohn
Votes: 5 in favor, 0 opposed, 0 abstentions

- **Financial & Budget**

Financial Update

Patricia Bush reviewed the financials with the Board and pointed out from October to December, Net Assets had grown \$400 million dollars and almost \$2 billion since December 2005. Year to date spending though December 2006 has been approximately 33% of the budget.

- **Benefits**

Benefits Update

Terry Magid presented the Board with a one-page handout giving a very brief overview of some of PERF's benefits accomplishments during the course of the 2006 calendar year and discussed some of the changes PERF has made.

Line of Duty Death Benefit

Mr. Adams discussed with the Board the Line of Duty Death Benefit. According to Indiana State Police Superintendent Paul Whitesell, Mr. Dudley was involved in a fatal accident as a result of being struck by a vehicle while assigned to a group of bicycle riders for the Concerns of Police Survivors' annual bicycle charity ride.

Superintendent Whitesell submitted a letter on January 3, 2007 stating that Mr. Dudley was on duty and in pay status at the time of his death. Therefore, a Line of Duty Death Benefit in the amount of \$150,000 was approved.

IV. Executive Director Report

Mr. Adams stated that PERF has grown from the 90th largest fund in the US to the 85th largest Pension Fund in the US according to Pension and Investments.

Mr. Adams distributed a packet that included the Press Releases, Membership News, New Retirement Application and Quarterly Graphs for performance since the last Board Meeting.

Mr. Adams pointed out that one-time savings had improved. PERF is at \$16.1 billion in which \$15.9 billion of those are in investments. For the calendar year, investments performed at 13.7% which is above the 13.4% benchmark and 5.9% for the quarter.

In December, for retirees who followed the process, 100% received their payments with no payment delay.

Retirement Planning continues to be the core focus of PERF. There were 56 workshops in 2005 and 206 workshops planned for this year.

Mr. Adams also discussed third quarter goals for the departments at PERF, the new logo, the Bridge to Retirement for the '77 Fund and the leadership skills evaluation. The strategic study will be discussed at a later date.

Lastly, Mr. Adams announced to the PERF Board of Trustees that he will be resigning his position as Executive Director at the end of May, 2007. During the past two years, the fund has dramatically improved its service to our customers, improved internal operations as demonstrated by the first clean financial opinion since 2002, created an investment philosophy which has resulted in innovative programs such as the Indiana Investment Fund I and has grown by nearly \$4B in assets to the 85th largest pension system in the US. Reputation is not something we define but something that is defined for us by the customers we serve and we are honored to be recognized as a finalist for 'Top Public Pension System' in the United States.

Mr. Adams concluded that he is honored to have served the Governor, the Board of Trustees and the citizens of Indiana.

V. Date of Next Meeting

April 27, 2007 at 12 p.m.

VI. Adjournment

Adjourned at 2:20 p.m.